

IMPORTANCE OF FOOD PROCESSING INDUSTRY IN AGRICULTURE DEVELOPMENT IN INDIA

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ABSTRACT : One of the most important challenges facing by the country is providing remunerative prices to the farmer for their produce and consumer without incurring the additional burden of subsidies. This challenge could be addressed if processing level and value addition of the row produce can be enhanced to meet the growing demand for processed foods. Food Processing Industry (FPI) has an important role to play in linking the Indian agriculture to consumers in the domestic and international markets. It becomes important to study inter-linkages between the FPI and agriculture sector of the India. So that positive growth impulses on the rise between these two sectors could be identified and fostered to sustain the development of agriculture sector. The paper has examined and analyses inter-sectoral linkages between the FPI and Agriculture and Allied Sector (AAS) of the India. There exists a long-run relationship between agriculture sector and FPI.

INTRODUCTION : The share of agriculture in the Gross Domestic Production (GDP) of the Indian economy is around 14 % however, the population of its employs about 2/3rd. India has about 161 million hectares of arable land of which 55 million is irrigated. Considering these factors, it is clear that there is immense potential for the agriculture sector and food security. India has made many successes on agricultural and economic front viz. green revolution, white revolution, blue revolution & yellow revolution but with the changing of times, we are facing new challenges in the form of agricultural development, disguised employment in agriculture sector, unemployment especially in rural area, wastage of food products, food insecurity & food prices and inclusive growth. India ranks first in the production of milk, pulses and tea and second in the production of fruits & vegetables, rice, wheat and third position in major food crops in the world.

India's production base is strong but at the same time wastage of agricultural production is massive. In India 35% of F&V of total production are being wasted due to traditional supply chain. Which is more than the total consumption of U.K. and the amount of wastage is Rs 44,000 core, which is more than the budgetary allocation for the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) of Rs 40,000 crore for the fiscal year 2011-12.

FOOD PROCESSING IN INDIA : FPI is one of the largest industries of the India economy, its rank is fifth in the terms of production, consumption, exports and expected growth rate. With the fifth rank FPI is an important segment of the Indian economy in term of its contribution to GDP, employment and investment. The sectors contribute much as 9.0 to 10 per cent of GDP in agriculture and manufacturing sector. The industry contributes to a large extent such as: 19% of industrial labour force working in the FPI, contribution in GDP is 5.5% and share in globe trade 1.7%. The Government has formulated and implemented several plan schemes to provide financial assistance for setting up and modernizing food processing units, creation of infrastructure, support for research and development and human resource development in addition to other promotional measures to encourage the growth of the processed food sector.

Food processing is encompassing a wide range of activities such as agriculture, horticulture, plantation, animal husbandry and fisheries. It also includes other industries that use agriculture input for manufacturing of edible products. The ministry of FPI, government of India indicates the following segment within the FPI. Dairy, fruits and vegetable processing 2. Fisheries 3. Grains processing; meat and poultry processing 4. Consumer foods including packaged food.

India is first in the production of fruits and second in vegetables, in spite of this Indian's share in international trade is low because in India 35% fruits and vegetables are wasted every year due to the low processing only 2.2 of total production and the lack of storage facilities and others infrastructure facilities.

Over the last few years there has been a positive growth in ready to serve beverages, fruits juices and pulps, dehydrated and frozen fruits and vegetable products, pickles, convenience veg-spice pastes, processed mushrooms and varied vegetables. The domestic consumption of value added fruits and vegetables products are also very low compared to fresh fruits and vegetables in particular, which is attributed to higher incidence of tax and duties including thaton packaging material lower capacity utilization non-adoption of cost effective technology, high cost of finance, infrastructure constraints, inadequate upon intermediaries. The smallness of units and their inability for market promotion are also reasons for inadequate expansion of all the domestic

market. The major fruits grown in India are mango, grapes, apples, apricots, orange, banana, fresh avocados, guava, litchi, papaya, sapota and water melons; Mango accounts for 40% of the national fruit production and India is one of the leading exporters of fresh table grapes to the global market.

FOREIGN DIRECT INVESTMENT IN FOOD PROCESSING INDUSTRIES : Now a day's Foreign Direct Investment (FDI) in India especially in case of retail, is a very hot issue in the discussion, but in case FPI, the government of India realized the importance of FDI in 2005. That's why Government allowed 100 % FDI in all the FPI (except for items reserved for Micro, Small & Medium Enterprises, where FDI is permissible under automatic route up to 24%), subject to applicable laws/regulations/securities and other conditions. FDI under automatic route is approved at Reserve Bank of India (RBI) level and it does not require approval of Foreign Investment Promotion Board (FIPB).

ADVANTAGES OF FOOD PROCESSING INDUSTRIES : The Indian FPI is highly competitive and sunrise sector of the Indian economy. There are a large number of players in the organized as well as unorganized sector. The organized sector is small only 25 % of total food manufacturing, however, growing. For example, dairy sector poultry and marine are the largest organized sector of the FPIs. The sector offers potential for growth and a large number of Multinational Corporations have entered into India to leverage this opportunity. Some of the successful overseas players in this sector include Unilever, Cadbury, Nestle and Pepsi. These players face competition from strong Indian brands. Companies have adopted various strategies to maintain and increase their market share in India. These include competitive pricing, aggressive advertising campaign, expansion plans etc.

Contribution of FPI and Agriculture in GDP : The contribution of FPI to GDP has been growing faster than the agriculture sector. If the contribution to GDP of both agricultural sector and FPI were growing at the same rate, then it would mean that the growth in FPI is only due to increased agricultural raw material supply. However, what this graph indicates is that more and more agricultural products are being converted (in value terms) to food products. This means that the level of processing in value terms has been increasing.

GOVERNMENT POLICIES ; Post-harvest activities are an integral part of the food production system, and government's aim is to promote best practices for post-harvest handling and management along the entire food supply chain, focusing on a broad spectrum of operations and stakeholders in traditional and modern marketing systems. The ultimate goal of the system is to deliver high quality, safe food to consumers. The government has accorded it a high priority, with a number of fiscal reliefs and incentives, to encourage commercialization and value addition of agricultural produce, for minimizing pre/post-harvest wastage, generating employment and export growth.

Now no industrial license is required for setting up a new F&V processing industry and setting-up 100 per cent Export Oriented Units require specific Govt. approvals. Many F & V processing industries are eligible for automatic approval of foreign technology agreement and up to 51 per cent foreign equity participation including tomatoes, mushrooms & other frozen vegetables, fruit, nuts, fruit-peel, fruit jellies, marmalades, fruit juices & vegetable juices etc. Some items like: pickles & chutneys, tapioca sago and tapioca flour are reserved for exclusive manufacture in the small scale sector.

The Government of India allows 100% FDI under the automatic route in the food processing sector, in agro-products, milk and milk products, and marine and meat products. There is an increased awareness about the need to boost India's food processing sector given the country's immense potential with regard to agricultural production. Some of the policies and promotions for the food processing sector are:

Vision 2015 Action Plan: The Ministry of Food Processing Industries (MOFPI) has formulated a Vision 2015 Action Plan that includes trebling the size of the FPI, raising the level of processing of perishables from 6% to 20%, increasing value addition from 20% to 35%, and enhancing India's share in global food trade from 1.5% to 3%.

Mega Food Parks: According to the website of MOFPI, the Government of India is actively promoting the concept of Mega Food Parks (MFPs) and is expected to set up 30 such parks across the country to attract FDI. The government has released a total assistance of USD 23 million to implement the Food Parks Scheme. It has, until now, approved 50 food parks for assistance across the country. The Centre has also planned for a subsidy of USD 22 billion for mega food processing parks.

Agri-Export Zones: The government has established 60 fully equipped agri-export zones (AEZs), in addition to food parks, to provide a boost to agricultural and food processing exports.

SUGGESTIONS : The paper has examined that on the base of production of Fruits &Vegetables, India is able to achieve the recommended level of 120 gram fruits and 300 gram of vegetables per capita per day by now. But due to this 35 % wastage of total production of Fruits &Vegetables we are able achieved recommended Fruits &Vegetables per capita per day. So if Forward Linkages of agriculture sector and Backword Linkages of FPI will increased, we can minimize this wastage and achieve recommended at 120 gram of fruits and 300 gram of vegetables per capita per day which is very important from the food security point of view.

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